

Message Text

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TO SECSTATE WASHDC IMMEDIATE 5794

INFO AMEMBASSY ANKARA

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C O N F I D E N T I A L SECTION 1 OF 2 ATHENS 3908

E.O. 11652: GDS

TAGS: PINT, GR

SUBJECT: WHAT DOES THE CABINET SHUFFLE MEAN?

REF: (A) ATHENS 3823 (B) ATHENS 3845

1. BEGIN SUMMARY: PRIME MINISTER CARAMANLIS' DECISION TO BRING NEW LIBERAL PARTY LEADER CONSTANTINE MITSOTAKIS AND FORMER UNION OF THE DEMOCRATIC CENTER (UDC) STALWART ATHANASSIOS KANNELLOPOULOS INTO THE GOG WAS ESSENTIALLY POLITICAL. IT CONSTITUTES AN ATTEMPT TO BROADEN THE BASE OF THE GOVERNMENT'S SUPPORT BY DRAWING FROM THE DISINTEGRATING CENTER. ALTHOUGH THE RESPECTIVE STYLES OF THE NEW MINISTERS MAY DIFFER FROM THEIR PREDECESSORS, THERE IS LITTLE EXPECTATION THAT SIGNIFICANT POLICY CHANGES WILL OCCUR IN THE KEY ECONOMIC MINISTRIES -- COORDINATION, FINANCE AND AGRICULTURE -- OR THE MINISTRY OF FOREIGN AFFAIRS WHICH WERE AFFECTED BY THE RESHUFFLE. MUCH DEPENDS ON THE PERFORMANCE OF MITSOTAKIS, PERHAPS INCLUDING THE ANSWER TO THE QUESTION "AFTER CARAMANLIS, WHAT?" END SUMMARY.

2. BY APPOINTING MITSOTAKIS AND KANNELLOPOULOS, CARAMANLIS HAS TURNED TO THE CENTER PARTLY IN AN ATTEMPT TO BROADEN SOMEWHAT
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THE APPEAL OF HIS GOVERNMENT AND HELP SHED THE NEW DEMOCRACY PARTY'S IMAGE OF REPRESENTING ONLY CONSERVATIVE FORCES IN GREECE. ANOTHER CONSIDERATION WAS PROBABLY THE CONCLUSION THAT IT WAS IMPERATIVE TO ACT NOW TO CAPTURE IMPORTANT ELEMENTS OF THE POLITICAL CENTER, REPRESENTED BY THE DISINTEGRATING UDC, TO PREEMPT THEM FROM DRIFTING TOWARDS THE OPPOSITION PASOK LED BY ANDREAS PAPANDREOU. AND BY BROADENING HIS BASE AT THIS TIME,

CARAMANLIS FEELS HE HAS BOOSTED SOMEWHAT HIS DOMESTIC POSITION IN DEALING WITH GREECE'S PRESSING INTERNATIONAL PROBLEMS.

3. THE CRITICAL FACTOR IN THE RESHUFFLE, OF COURSE, WAS THE EMERGENCE OF THE CONTROVERSIAL MITSOTAKIS ONCE AGAIN INTO A POSITION OF POLITICAL PROMINENCE. SINCE THE RETURN OF DEMOCRATIC GOVERNMENT IN 1974, THERE HAVE BEEN PERSISTENT REPORTS THAT CARAMANLIS AND HE WERE SEEKING SOME TYPE OF ARRANGEMENT, BUT PRESSURES FROM WITHIN THE NEW DEMOCRACY PARTY -- ESPECIALRBSE PDEBSEV ERAL SHADOWY SPOTS -- INCLUDING HIS INFLUENTIAL ROLE IN THE 1965 APOSTASY AND UNCONFIRMED CHARGES OF CORRUPTION WHEN HE SERVED IN MINISTERIAL POSITIONS EARLIER. BUT IN SPITE OF THE BLEMISHES, HE NEVERTHELESS HAS RETAINED A WIDESPREAD REPUTATION FOR COMPETENCE AND, EVEN MORE IMPORTANTLY, FOR POSSESSING THE RARE QUALITIES OF A GENUINE POLITICAL LEADER.

4. WHILE IT APPEARS CARAMANLIS HAS BEEN ABLE TO OVERCOME ND RESISTANCE AND IMPOSE MITSOTAKIS, THERE IS SAID STILL TO BE CONSIDERABLE DISCORD WITHIN PARTY RANKS. THERE ARE VARIOUS UN-CONFIRMED STORIES CIRCULATING THAT PAPALIGOURAS HAS SPLIT WITH CARAMANLIS OVER THE ISSUE AND HIS OWN EXCLUSION FROM THE INNER COUNCILS OF GOVERNMENT. PAPALIGOURAS, ONCE CONSIDERED A POTENTIAL HEIR, HAS SLIPPED MEASURABLY IN THIS REGARD, PARTLY BECAUSE OF HIS RUMORED PRECARIOUS HEALTH. THE HOPES OF GEORGE RALLIS TO SUCCEED CARAMANLIS HAVE ALSO BEEN DAMAGED, PRIMARILY BECAUSE OF HIS POOR SHOWING IN THE LAST ELECTIONS, AND HIS MOVE TO THE MFA
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FROM COORDINATION COULD HARDLY ENHANCE HIS POLITICAL STANDING. HOWEVER, HE IS AN OLD COLLABORATOR WHOSE COUNSEL REMAINS DEEPLY VALUED BY CARAMANLIS. THIS LEAVES DEFENSE MINISTER AVEROFF AS THE REMAINING "OLD GUARD" ASPIRANT, AND SO FAR HE HAS MAINTAINED PUBLIC SILENCE ON THE SHUFFLE.

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C O N F I D E N T I A L SECTION 2 OF 2 ATHENS 3908

5. THE OPPOSITION HAS CONTINUED TO PRESS ITS ATTACK. THE CENTER/ LEFT FORCES CLAIM THE CARAMANLIS ACTION IS AN ADMISSION THAT HIS GOVERNMENT HAS FAILED AND THAT THE APPARENT SHIFT TO CENTER IS A SECOND "APOSTACY." FROM OSLO WHERE HE IS VISITING, PAPANDREOU CHARGED CARAMANLIS WAS REACTING TO THE "WINDS OF CHANGE" AND WAS ATTEMPTING TO FORM A CENTER/RIGHT FRONT AGAINST PASOK. HE CALLED IT A DANGEROUS TRAP WHICH HE PLEDGED TO COMBAT. UDC LEADER ZIGHDIS BRANDED IT A "NEW BETRAYAL", ORTHODOX COMMUNIST PARTY LEADER FLORAKIS CONDEMNED IT AS EVIDENCE OF THE BANKRUPTCY OF CENTER/RIGHT POLICIES, WHILE THE EURO-COMMUNIST PARTY CALLED FOR NEW POLICIES RATHER THAN NEW MEN.

6. IT IS UNLIKELY THAT THE GOG'S BROAD ECONOMIC POLICIES WILL ALTER. THE NEW MINISTERS HAVE CONSIDERABLY STRENGTHENED THE CABINET'S ECONOMIC EXPERTISE, BUT THEIR INFLUENCE MAY BE FELT MAINLY THROUGH CHANGE IN EMPHASIS. A CONSERVATIVE ECONOMIST, MITSOTAKIS MAY WELL TRY TO FOLLOW LESS STIMULATIVE POLICIES IN ORDER TO CURB INFLATION AND REGAIN PRIVATE SECTOR CONFIDENCE IN THE GREEK ECONOMY. THE NEW FINANCE MINISTER, ATHANASSIOS KANELLOPOULOS, IS AN EXPERIENCED PROFESSIONAL WITH A CONSERVATIVE ECONOMIC PHILOSOPHY. IT APPEARS THAT BOTH MITSOTAKIS AND KANELLOPOULOS CONSIDER CURBING INFLATION AS THE PRIORITY ECONOMIC GOAL AND HERE THEY WILL FIND A POWERFUL ALLY IN BANK OF GREECE
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GOVERNOR ZOLOTAS. JOHN BOUTOS' RETURN TO AGRICULTURE FROM FINANCE WILL STRENGTHEN THE FORMER SINCE BOUTOS IS FAR STRONGER THAN HIS PREDECESSOR, TALIADOROS, BUT RADICAL NEW DEPARTURES ARE NOT ANTICIPATED HERE EITHER. BOUTOS' STANDING REMAINS BASICALLY UNDIMINISHED SINCE HE HAS BEEN KEPT ON BY CARAMANLIS AS A MEMBER OF THE SO-CALLED INNER CABINET, A PRIVILEGE NOT PREVIOUSLY ACCORDED TO THE MINISTER OF AGRICULTURE. FINALLY, THERE IS EVERY REASON TO EXPECT THAT THE BASIC TENETS OF GREEK FOREIGN POLICY WILL CONTINUE UNALTERED. CARAMANLIS IS ESSENTIALLY HIS OWN FOREIGN MINISTER AND MAKES THE ULTIMATE DECISIONS ON THE KEY ISSUES OF RETURNING TO NATO, EC ENTRY, RELATIONS WITH TURKEY AND THE CYPRUS QUESTION.

7. CONCLUSION: THE PRIME MINISTER'S OPENING TO A PORTION OF THE CENTER IS A CALCULATED RISK. IT MEANS THE GOG CAN NOW COMMAND THREE ADDITIONAL VOTES IN THE PARLIAMENT FOR A TOTAL OF 175.

WHETHER THIS MOVE IN FACT TRANSLATES INTO BROADER POPULAR
SUPPORT FOR CARAMANLIS' GOVERNMENT, OR WHETHER INSTEAD IT
INCREASES POLARIZATION AND THE TENDENCY
TOWARDS FRACTIONALISM WITHIN HIS TRADITIONAL CONSTITUENCY, REMAINS
TO BE SEEN. THE OUTCOME OF THIS GAMBLE WILL DEPEND IN GREAT
PART ON THE ABILITY OF MITSOTAKIS TO PROVE HIS METTLE...AND ON
THAT COULD ALSO DEPEND THE ANSWER TO THE QUESTION "AFTER CARA-
MANLIS, WHAT?"
MCCLOSKEY

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